

Commonwealth of Kentucky  
Before the Public Service Commission

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PUBLIC SERVICE  
COMMISSION

In the Matter of:

APPLICATION FOR APPROVAL OF )  
THE TRANSFER OF CONTROL OF )  
ALLTEL KENTUCKY, INC. AND ) Case No. 2005-00534  
KENTUCKY ALLTEL, INC. )

ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST FOR INFORMATION

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits this Supplemental Request for Information to Alltel Kentucky, Inc. ("AKI"); Kentucky Alltel, Inc. ("KAI"); Alltel Communications, Inc.; Alltel Holding Corp.; Valor Communications Group; and Alltel Holding Corporate Services, Inc. [hereinafter jointly referred to as the "Joint Applicants"] to be answered by the date specified in the Commission's Order of Procedure, and in accord with the following:

(1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.

(2) Please identify the witness who will be prepared to answer questions concerning each request.

(3) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(4) If any request appears confusing, please request clarification directly from the Office of Attorney General.

(5) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(6) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self evident to a person not familiar with the printout.

(7) If the Joint Applicants have objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

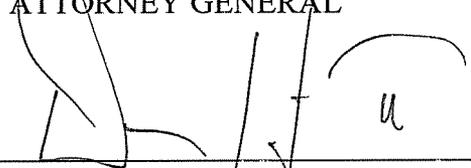
(8) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(9) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the

destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

(10) Please provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response.

Respectfully submitted,  
GREGORY D. STUMBO  
ATTORNEY GENERAL



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*Certificate of Service and Filing*

Counsel certifies that an original and ten photocopies of the Attorney General's Redacted Supplemental Data Requests were served and filed by hand delivery to Beth O'Donnell, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601; furthermore, it was served by mailing a true and correct copy of the same, first class postage prepaid, to:

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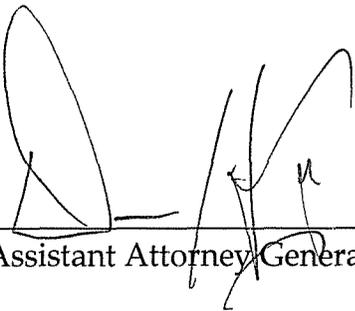
Counsel further certifies that an original and ten copies of the Attorney General's Unredacted Supplemental Data Requests were served and filed by hand delivery to Beth O'Donnell, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601; furthermore, it was served by mailing a true and correct copy of same, first class postage prepaid, to:

Honorable David Jeffrey Barberie  
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Louisville, KY 40202

This 28th day of March, 2006.



Assistant Attorney General

**Attorney General's Supplemental Request  
for Information to the Joint Applicants  
Case Number 2005-00534**

1. Please refer to the Joint Applicants' response to CWA Initial Request 69. Provide a list showing the date each case was filed, procedural timelines, whether a hearing is scheduled, and if so, the date(s) for such hearing(s).
  
2. Please refer to the [BEGIN CONFIDENTIAL] [REDACTED] [REDACTED] [END CONFIDENTIAL] contained in response to CWA Initial Request No. 60. Provide copies of responses to discovery questions in all other state commission proceedings regarding the spin off, including any documents or attachments that have not been provided previously to parties in this case.
  
3. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 47. Quantify the New Holding Company's (or Merged Wireline Business, "MWB") total annual interest cost for all debt (senior secured debt and senior unsecured debt as shown on Exhibit 6 to the Amended and Restated Application at the indicated "BB" debt rating, versus the total annual interest cost for all debt at the lowest investment grade debt rating, through 2008. Show calculations including the market interest rates used, and provide source documentation used in calculating such interest costs.
  
4. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 47. Exhibit 6 to the Amended and Restated Application states that the transactions will trigger a "put" right for holders of Valor Senior notes, to require NewCo/MWB to purchase the notes at 101% of par. Provide documents that show the proportion of outstanding notes that are anticipated to be "put" to NewCo/MWB according to the holders' put rights.
  - a. State the source of funds that will be used to purchase the Valor notes that are "put" to NewCo/MWB.
  
5. Please reference the Joint Applicants' response to the CWA's Initial Data Request No. 51. Has Alltel sought or received indicative debt ratings for NewCo/MWB from any debt rating service entity such as Moody's, Fitch, or Standard and Poor? If so, provide copies of

documents and letters containing such indicative ratings. If not, explain why such indicative debt ratings have not been sought.

6. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 47. State Alltel's understanding of the maximum total debt (\$X billion) NewCo/MWB could bear after the proposed spin off and merger, while still being likely to achieve "investment grade" debt ratings from the debt rating services.
  - a. State the corresponding debt to EBITDA ratio that is indicated by this maximum total debt.
  
7. Please reference the Joint Applicants' response to CWA No. 60. Provide copies of the capital budgets for, including or pertaining to Alltel's Kentucky operations for the current year (e.g., 2006), the immediately preceding year (e.g., 2005), and the upcoming year (e.g., 2007).
  - a. Show capital budget dollars by category of expenditure in the format used to breakdown capital expenditures on p. 25 of the Data Book in response to CWA Initial Request No. 60.
  
8. Please reference the Joint Applicants' response to CWA No. 60. Provide copies of the capital budgets for, including or pertaining to Alltel's ILEC operations for the current year (e.g., 2006), the immediately preceding year (e.g., 2005), and the upcoming year (e.g., 2007), in the format used to breakdown capital expenditures on [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL].
  
9. Please reference the Joint Applicants' response to CWA No. 47. Provide documents which contain the two most recent debt ratings analyses for Valor from each of the major bond rating agencies (e.g., Moody's, Fitch and Standard and Poor).
  
10. Please reference the Joint Applicants' response to CWA No. 47 and 51. Provide documents from each major bond rating agency (e.g., Moody's, Fitch and Standard and Poor) which show the debt rating that Alltel is expected to have, post-spin off.
  
- [REDACTED] Please reference the Joint Applicants' response to CWA No. 60. Provide documents which show Alltel wireline studies and plans [BEGIN CONFIDENTIAL] [REDACTED]

[REDACTED]

[REDACTED]

c.

[END CONFIDENTIAL].

d. Explain the basis for Alltel's claim of confidentiality for the [BEGIN CONFIDENTIAL] [REDACTED] [REDACTED] [END CONFIDENTIAL].

12. Provide documents which show:
  - a. Average (wireline) revenue per residential line for each Alltel state;
  - b. Average (wireline) revenue per residential line for each Valor state;
  - c. Average (wireline) investment per line for each Alltel state; and
  - d. Average (wireline) investment per line for each Valor state.
  
13. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 5. Identify by name, title and location each of the members of the "Steering Committee" referenced in "Item 1.01" under the heading "Distribution Agreement" of the Company's Form 8-K filed on December 9, 2005.
  - a. Provide the dates of each meeting of this committee or its subcommittees if any.
  - b. Provide documents reviewed or considered by the committee, including minutes of meetings.
  
14. To the extent not already previously provided, please provide copies of all presentations and documents provided to the Alltel Board of Directors or its committees regarding:
  - a. the spin off of the wireline business, and,
  - b. the spin off of the wireline business in the form of the currently proposed transaction.

15. Provide copies of all presentations and documents provided to the Valor Communications Board of Directors or its committees regarding:
  - a. potential merger with Alltel, and,
  - b. potential merger with Alltel in the form of the currently proposed transaction.
  
16. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 5. Define the term "high yield debt securities" as it appears in "Item 1.01" under the heading "Distribution Agreement" of Alltel Corporation's Form 8-K filed on December 9, 2005.
  - a. Provide the current market interest rate for such high yield debt securities.
  - b. Describe any other material conditions that affect price or interest cost in the current market for such high yield debt securities.
  - c. Describe the distinction(s) if any that exist between a "high yield debt security" and a "junk bond", including any pertinent references to bond rating classifications.
  
17. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 5. Identify and describe each of the "preliminary restructuring transactions" referred to in "Item 1.01" under the heading "Distribution Agreement" of Alltel Corporation's Form 8-K filed on December 9, 2005.
  - a. Provide the dates of each restructuring transaction whether accomplished or yet to be accomplished;
  - b. Provide the journal entries complete with descriptions for each restructuring transaction on the books of "Spinco" or its subsidiaries, and on the books of the Company or its subsidiaries.
  
18. Provide documents which show all intellectual property currently owned by Alltel or Valor, divided between:
  - a. That intellectual property which will be owned by "Spinco" after the separation;
  - b. That intellectual property which will be owned by Alltel after the separation.
  
19. Provide documents which show all intangible property currently owned by Alltel or Valor, divided between:

- a. That intangible property which will be owned by "Spinco" after the separation; and
  - b. That intangible property which will be owned by Alltel after the separation.
20. Provide the following information regarding Alltel's provision of DSL service in each of its Kentucky exchanges:
  - a. The number and percent of residential customers subscribing to Alltel's DSL;
  - b. the method used to provide DSL to these customers;
  - c. the number of DSL capable lines;
  - d. the number of lines equipped for DSL;
  - e. planned additions to DSL capable lines, by year for the next three years;
  - f. planned additions to DSL equipped lines, by year for the next three years.
21. Explain and provide:
  - a. the dividend and cash management policy whereby the Alltel Kentucky entities pay periodic dividends to corporate/regional operations.
  - b. the amount of dividends paid for the five most recent years, the corporate entity to which the dividends are paid, and explain the purposes/use of the dividends (for example, show dividends paid by purpose, for example corporate/regional interest/debt principal, capital investment, dividends to shareholders, and other purposes).
  - c. the amount of dividends that local operations will pay for five years after the spin-off and provide supporting documents and calculations.
22. Describe all planned or potential changes in local and other intrastate rates that will result for local operations from this spin-off, by state.
23. Please refer to the [BEGIN CONFIDENTIAL] [REDACTED]  
[REDACTED] [END CONFIDENTIAL], attached to the Joint Applicants' response to CWA Initial Request 60. Provide the following information for each Alltel and Valor state in which Alltel and Valor have incumbent local exchange company operations, on both a GAAP accounting basis and regulatory

accounting basis if different than GAAP:

- a. Total investment in plant in service and
  - b. Accumulated depreciation and amortization reserves related to total plant in service.
  
24. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 3.
  - a. Specifically identify the "future wireline strategies" that the MWB will seek to undertake upon separation. Specifically state why the MWB could not have undertaken such strategies without the separation, if that is the case.
  - b. Specifically identify the "future business opportunities" that the MWB will explore upon separation. Specifically state why the MWB could not have explored such opportunities without the separation, if that is the case.
  - c. The response states "significant annual interest expense savings of up to or greater than \$50.0 million." Clearly identify the two items that are being compared to calculate this indicated \$50 million—what is "scenario A" versus "scenario B", the difference between which is \$50 million?
  
25. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 6. The request asked for copies of all filings with other regulatory bodies yet only the Missouri application was supplied. Please provide only copies of the applications filed with the remaining bodies.
  
26. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 7 a. The response indicates that the financial statements will not change in any "material way." Please explain in what way, any, changes will be made.
  
27. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 7 a. The "report" references only "expenses." Show and describe any impacts from the merger on the revenue side, e.g., Alltel revenues no longer received from Valor.
  
28. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 7 a. Provide the supporting workpapers, data sources and calculations that underlie the synergy estimates provided on the table. Separately show and

reconcile how the loss (post-merger) of any revenues and expenses related to services Alltel Telecommunications Services provides to Valor currently is accounted for in the net synergy estimates.

29. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 7 a. Provide detailed documentation showing calculations and data sources for the [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] from separation.
30. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 7 a. Explain why the "Collections" synergy depicted on the report is [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] than that shown on page 35 of the response to the Attorney General's Initial Data Request No. 22.
31. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 7 b.
  - (1) Please provide the dollar figures that correspond to the following terms used in Alltel's response:
    - (a) "the combined total annual operating expenses of Valor";
    - (b) "the estimated annual operating expenses of Alltel's wireline business if it were a separate public company";
    - (c) "the annual operating expenses of the Merged Wireline Business";
    - (d) "annual operating expenses incurred by Alltel that are allocated to Alltel's wireline operating companies today";
    - (e) "the expected annual corporate shared service allocations to the operating companies in the Merged Wireline Business", including:
      - i. The total amount allocated; and
      - ii. The amount allocated to each operating company in each state.
    - (f) the current total annual Alltel corporate shared service allocations to the Alltel operating companies; and
    - (g) the current annual Alltel corporate shared service allocations to the Alltel operating companies, by state.
  - (2) Please quantify the term "roughly the same", as used by Alltel in this response.

- (3) Please quantify the term "material", as used by Alltel in this response.
  - (4) Explain and quantify the extent to which Alltel believes the \$40 million in "synergy savings" will be offset by increases in other expense areas.
32. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 9. The data request asked the Joint Applicants to state any financial impact such "losses did or may have on any of the Kentucky based holdings." Please respond to the question.
33. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 12. Please provide details with quantification on the capital deployment and marketing efforts noted in the Joint Applicants' response.
34. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 13. Provide documents which show Alltel/MWB plans to "make broadband services more widely available and continue improvements in higher speeds and greater portal content." Provide this information for MWB as a whole, and for Kentucky separately.
35. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 17.
- a. Please explain why the response is considered "highly confidential and proprietary."
  - b. Are the Joint Applicants aware that similar information has been obtained in other PSC proceedings and was not treated as confidential?
36. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 18 a. How will the costs be booked on regulatory books of account? Will the costs be expensed in toto in period, or amortized over time? Provide pro forma journal entries including account numbers.
37. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 18 b. How will the costs be booked on regulatory books of account? Will the costs be expensed in toto in period, or amortized over time? Provide pro forma



b. Provide quantifications of any differences identified in a, above.

Describe in detail whether Valor's accounting [BEGIN CONFIDENTIAL]

d.

[END CONFIDENTIAL].

44. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request Nos. 25 and 26. What are the anticipated changes? Please provide comprehensive detail in the answer.
- a. Will any of the entities with which Joint Applicants enter into any of the contracts referenced in these two initial requests be affiliated in any way with Joint Applicants' directors, contractors, or consultants?
  - b. If your answer to a., above, is "yes", then identify, in detail:
    - i. the director, contractor, or consultant; and
    - ii. the exact nature of the contract (i.e., if for services, the specific nature of the services; if for products, the specific nature of the products).
45. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 33. Will the Joint Applicants continue to offer basic local exchange service with a la carte features which are not considered as "packages"?
46. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 34. Please explain exactly where on Exhibit 6 one can determine the amount for each Kentucky company's (Kentucky Alltel and Alltel Kentucky) allocation / assignment / apportionment of the guarantees/liens.
47. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 41. Will the parent company manage to effectively raise capital if it does not have an investment grade rating?

48. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 54. Please explain in detail the 2% -5% changes that are contemplated.
49. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 56. Please explain in detail the 2% -5% changes that are contemplated.
50. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 57. Please explain in detail the 2% -5% changes that are contemplated.
51. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 59. Describe the impact of higher cost of capital (from less than investment grade rating debt ratings and related higher required dividend yield) on the ability to fund technology investments, including investments which would be feasible at "investment grade" cost of capital, but are non-feasible at the higher cost of capital associated with less than investment grade cost of capital.
52. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 60. Is an inference to be drawn from the answer that basic local exchange service will not be a focus of "appropriate" investment?
53. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 61. If the transaction is approved, will the companies commit to providing a copy of the referenced spreadsheet to the PSC and the Attorney General's Office?
54. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 62. Please answer the question.
  - a. Mr. Gardner's testimony indicates that savings will flow through to the subsidiaries; yet the Joint Applicants' response to AG-1-7b states no savings will be passed on to Joint Applicants' customers. Are these statements not inconsistent? If not, state exactly, with specificity, why not.
55. Please reference the Joint Applicants' response to the Attorney

General's Initial Data Request No. 68. Please answer the question. \$7.7 billion in assets does not equal total equity and debt of \$11.2 billion. Please provide the requested reconciliation.

56. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 69. Will the Kentucky companies incur no financial risk under this transaction? If the Joint Applicants' answer is yes, do the lenders share the same understanding? Provide any and all relevant documentation in this regard.
57. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 71. Describe in detail the guarantee of the cash management agreement that will be required of MWB subsidiaries including the Kentucky companies, including the rationale for the guarantee how it would be applied to the Kentucky companies in the event the guarantee is resorted to.
58. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 72 b. At what value (market, book or otherwise) will compensation be made?
59. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 73 a. Please explain in detail the 2% -5% changes that are contemplated.
60. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 73 b. Are "other services" projected or anticipated even if they are not presently identified?
61. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 75. Please explain in detail the 2% -5% changes that are contemplated.
62. Please reference the Joint Applicants' response to the Attorney General's Initial Data Requests No. 1 c. , wherein the Joint Applicants state that no Alltel employee will be terminated or laid off; yet in their testimony, the Joint Applicants state that costs associated with early termination of Kentucky-based staff will not be levied against Kentucky ratepayers. Are these responses contradictory?
63. Please reference the Joint Applicants' response to the Initial Data

Request of Commission Staff at No. 2b. The response implies that the addition of Valor to the Alltel local exchange companies “will provide increased buying power.”

- a. Please state whether the response is intended to mean that the “lower cost of equipment, network, materials and supplies” is expected to be achieved through purchases from Alltel Communications Products, Inc.
  - b. Please provide documents which show 2005 gross sales revenue of Alltel Communications Products Inc. for sales of “equipment, network, materials and supplies.”
  - c. Please provide documents which show what proportion of the gross sales revenue indicated in b, above, is associated with Alltel Communications Products’ sales to Alltel’s wireline business.
  - d. Please provide documents which show what proportion of the gross sales revenue indicated in b, above, is associated with Alltel Communications Products’ sales to Alltel’s wireless business.
  - e. Identify any types of “equipment, network, materials and supplies” which were procured by Alltel Wireless through Alltel Communications Products Inc. in 2005 or previous periods, but are not anticipated to be procured through ACP following the spin off and merger transactions. Provide an estimate of the associated dollar volume.
  - f. Provide documents which show Valor’s gross purchases in 2005 of “equipment, network, materials and supplies.”
  - g. Provide documents which show the proportion of Valor’s gross purchases in 2005 as indicated in f., above, which were procured from Alltel Communications Products, Inc.
  - h. State the incremental additional volume discount that is expected to be obtained from Alltel Communications Products, Inc. as a result of added purchase volumes due to the merger with Valor Communications, by supplier and type of product.
  - i. Quantify the aggregate reduced cost on purchases from suppliers due to the incremental additional volume discounts identified in g., above.
64. Please reference the Joint Applicants’ response to the Initial Data Request of Commission Staff at No. 2 d. The request asked for a detailed chart but one was not provided. Please provide the requested chart.

65. Please reference the Joint Applicants' response to the Initial Data Request of Commission Staff at No. 3 a. If the financing will remain the same, how will the competition by the wireless be eliminated? Where is the benefit to ratepayers?
66. Please reference the Joint Applicants' response to the Initial Data Request of Commission Staff at No. 3 a. Please provide documents that show how "wireline competition for capital with wireless" has been administered in the past several years by Alltel. For example:
- a. Documents that show what "hurdle rates" are used to allocate capital or determine which capital projects are funded and which are not;
  - b. Documents that show corporate policies regarding allocation of capital between wireline versus wireless business segments; and
  - c. Documents that show guidelines for capital expenditures.
67. Please reference the Joint Applicants' response to the Initial Data Request of Commission Staff at No. 3 b. If the capital will be budgeted and allocated as it is today, how will the competition by the wireless be eliminated? Where is the benefit to ratepayers?
68. Please reference the Joint Applicants' response to the Initial Data Request of Commission Staff at No. 6a. Similar to the table provided in response to 6.a, provide debt to equity ratios on an accounting book basis:
- a. for the current parent and
  - b. those anticipated for the MWB after the spin off and merger transactions.
69. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 47. Please provide a schedule showing the development of Alltel's current embedded weighted average cost of debt.
70. Please reference the Joint Applicants' response to the Initial Data Request of Commission Staff at No. 10. The staff asked for certain documents which were not provided. Please provide them, even if it requires creating same.

71. Please reference the Joint Applicants' response to the Initial Data Request of Commission Staff at No. 14 b. Staff asked for a quantification but none was provided. Please provide same.
72. Please reference the Joint Applicants' response to the Initial Data Request of Commission Staff at No. 14 b. Please refer to the following statements:
- Valor Form S-4, p. 21: "Spinco and Valor may not realize the anticipated benefits from the merger." . . . "Spinco and Valor cannot assure you that they will successfully or cost-effectively integrate the Valor businesses and the existing business of Spinco. The failure to do so could have a material adverse effect on Newco's business, financial condition and results of operations following completion of the merger." ; and
- Valor Form 10-K: "Newco may not realize the anticipated benefits from the merger."
- (a) Do these statements of the Joint Applicants contradict their previously filed testimony? If not, why not?
- (b) How much risk is there that the anticipated benefits may not develop?
- (c) Specify what is meant by use of the term "material."
- (d) Under what circumstances would Newco not realize the anticipated benefits of the proposed merger?
73. Please reference the Joint Applicants' response to the Initial Data Request of Commission Staff at No. 16. How can value be brought to the new company with "access to capital" when the new company will not even have an investment grade rating, at least in part due to merging with a company with substantial existing debt and negative net worth?
74. Please reference the Joint Applicants' response to the Initial Data Request of Commission Staff at No. 17.
- a. Explain how Valor's unamortized debt issuance costs constitute an "asset";
- b. Explain how Valor's unamortized debt issuance costs will be accounted for when the debt to which those costs are

- related is extinguished by the recapitalization of the MWB with new debt;
- c. Provide the pro forma journal entry that accomplishes the elimination of the unamortized debt issuance costs coincident with the extinguishment of the related debt in the merger and recapitalization process.
75. Please reference the Joint Applicants' response to the Initial Data Request of Commission Staff at No. 18, and the Joint Applicants' response to the Attorney General's Initial Data Request No. 22 at page 23. Explain in detail, and reconcile how it is stated that there are no "unfunded pension liability[ies] per ERISA guidelines" on the one hand, versus the identified unfunded pension liabilities from due diligence shown on page 23.
- a. Summarize the ERISA guidelines to which Alltel is referring.
76. Please reference the Joint Applicants' response to the Initial Data Request of Commission Staff at No. 20. Please answer the question with regard to any authority, regardless of regulatory, state, federal, or foreign.
77. Please reference the Joint Applicants' response to the Initial Data Request of Commission Staff at No. 21. Please provide a copy of the referenced settlement.
78. Please reference the Joint Applicants' response to the Initial Data Request of the LFUCG at No. 2. Given the possibility of an event wherein AKI and KAI would be required to repay the debt, would the PSC be precluded under KRS 278.020, or any other PSC jurisdiction or authority, from denying the lenders control or possession of AKI's and KAI's assets? If the answer is yes, please explain. Also, have the lenders been so informed? Provide copies of any and all relevant documents to this effect.
79. Please reference the Joint Applicants' response to the Initial Data Request of the LFUCG at No. 25. In regard to "A Message from Jack Mueller" dated January 27, 2006, the article states that the Executive Steering Committee will meet weekly. Please provide copies of any reports, minutes, emails, communications or otherwise which relate to those meetings.
80. Please reference the Joint Applicants' response to the Initial Data

Request of the LFUCG at No. 25. In regard to "A Message from Jack Mueller" dated February 14, 2006, the article states that "bargaining unit employees should consult their collective bargaining agreement for force adjustment and termination allowance information."

- a. Does this statement apply only to Valor union members? If not, to whom does it apply?
  - b. Does this statement apply to AKI or KAI members?
81. Please reference the Joint Applicants' response to the Initial Data Request of the LFUCG at No. 25. In regard to the December 9, 2005 transcript by Jeff Gardner, to whom, when, where, and how were the comments delivered?
  82. Please reference the Joint Applicants' response to the Initial Data Request of the LFUCG at No. 25. In regard to the December 9, 2005 transcript by Scott Ford, to whom, when, where, and how were the comments delivered?
  83. Please reference the Joint Applicants' response to CWA Initial Data Request No. 17: State in dollars the amount of "Accumulated Postretirement Benefit Obligation" that Alltel expects will be distributed to or otherwise transferred to the Merged Wireline Business. Provide data sources and supporting calculations.
  84. Please reference the Joint Applicants' response to CWA Initial Data Request No. 16. State in dollars the amount of pension plan assets that Alltel expects will be distributed to or otherwise transferred to or retained by the Merged Wireline Business. Provide data sources and supporting calculations.
  85. Please reference the Joint Applicants' response to CWA Initial Data Request No. 16. State in dollars the amount of accumulated pension benefit obligation (FAS 87) that Alltel expects will be distributed to or otherwise transferred to the Merged Wireline Business. Provide data sources and supporting calculations.
  86. Please reference the Joint Applicants' responses to the Attorney General's Initial Data Request No. 47, and to CWA Initial Request No. 49. Please quantify the New Holding Company's (or Merged Wireline Business, "MWB") total annual dividend cost associated with the capital structure with the indicated "BB" debt rating,

versus the total annual dividend cost associated with a capital structure designed to achieve an investment grade debt rating, through 2008. Show calculations and provide source documentation used or referred to in the calculations.

87. Please reference the Joint Applicants' response to CWA Initial Data Request No. 58. To the extent not already provided, provide documents used in or considered by Alltel's Board of Directors and executive management team to determine the \$3.965 billion of Spinco financing given by Spinco to Alltel as a result of the separation of the wireless and wireline businesses.
88. Please reference the Joint Applicants' responses to the Attorney General's Initial Data Request No. 47, and to CWA's Initial Request No. 49. Please provide a copy of the most recent Alltel testimony and attachments filed at any state utility commission that address and include Alltel's recommendation of the appropriate cost of capital (including return on equity) for its ILEC (incumbent local exchange company) operation.
89. Please reference the Joint Applicants' responses to the Attorney General's Initial Data Request No. 47, and to CWA's Initial Request No. 49. Please provide a copy of the most recent Alltel testimony and attachments filed at any state utility commission that address and include Alltel's recommendation of the appropriate capital structure for its ILEC (incumbent local exchange company) operation.
90. Please reference the attachments to the Joint Applicants' response to CWA Initial Data Request No. 52. The notes to the pro forma financial statements reference Alltel Holding's completion of **[BEGIN CONFIDENTIAL]**  **[END CONFIDENTIAL]**. Provide documents and related workpapers and data sources which show this item.
91. Please reference the Joint Applicants' responses to the following initial data requests: CWA No. 60 and AG Nos. 59 & 60. Provide documents which show Alltel's current/most recently used "hurdle rate" or "hurdle rates" for investments in local exchange company projects and programs.
  - a. Provide documents which show how each "hurdle rate" is

- derived (e.g., development of cost of capital components plus risk/uncertainty adder if any); and
- b. Provide documents which show capital projects that were considered but rejected due to a failure to meet hurdle rate thresholds, from 2000 to date.
  - c. Provide documents which show capital projects by state that were considered but rejected due to a failure to meet hurdle rate thresholds, from 2000 to date.
92. Please reference the Joint Applicants' response to AG-1-7. Provide documents such as invoices which show billings (monthly or otherwise) to the Kentucky companies by company (Alltel Kentucky and Kentucky Alltel) from any other Alltel affiliate in the 2005 accounting period for:
- a. Centralized functions including human resources, finance, tax, media, legal, planning, general support, and information services; and
  - b. All other functions or services.
  - c. Indicate the amounts of any "true-ups" associated with these billings, and whether such true ups are included in or excluded from the amounts provided above.
93. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 64. The Duff & Phelps letter references **[BEGIN CONFIDENTIAL]** [REDACTED] **[END CONFIDENTIAL]**  
**[REDACTED]** **[END CONFIDENTIAL]**  
Please provide all projected financial performance outputs from the financial models, including any underlying tables and attachments.
94. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 64. The Duff and Phelps letter references **[BEGIN CONFIDENTIAL]** [REDACTED] **[END CONFIDENTIAL]**. Please provide such representations and written documentation.
95. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 64. Please provide the Duff & Phelps **[BEGIN CONFIDENTIAL]** [REDACTED] **[END CONFIDENTIAL]** referenced in the **[BEGIN CONFIDENTIAL]** [REDACTED] **[END CONFIDENTIAL]**.

96. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 64, and the Duff and Phelps letter. What is the dollar amount of Alltel Wireline's [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL]?
97. Please reference the "Kentucky Alltel Statement of Cash Flows" attached to the Joint Applicants' response to CWA's Initial Data Request No. 44, the changes in Accounts Receivable line:
- a. Provide documents which show beginning of year/end of year accounts receivable balances for accounts receivable from any and all Kentucky Alltel affiliates, detailed by affiliate.
98. Please refer to the Joint Applicants' response to CWA' Initial Request No. 60. State Kentucky Alltel's plans and timetable [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL].
99. Please reference the Joint Applicants' response to the CWA's Initial Data Request No. 17.
- a. Explain whether or not the [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL].
  - b. Explain how and why this entity's [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL].

[REDACTED] Please reference the Joint Applicants' supplemental response to CWA's Initial Data Request Nos. 46 and 47, the [BEGIN CONFIDENTIAL] [REDACTED]

b. [REDACTED] [END CONFIDENTIAL].

[REDACTED] Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 47, the attachment entitled [BEGIN CONFIDENTIAL] [REDACTED]

[REDACTED]

c. [REDACTED] [END CONFIDENTIAL].

102. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 72.
- a. Identify and describe each of the companies shown on the spreadsheets (e.g, "499").
  - b. Identify those assets which are related to "Alltel CLEC."

[REDACTED] Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 47, the [BEGIN CONFIDENTIAL] [REDACTED]

a. [REDACTED] [END CONFIDENTIAL]

[REDACTED] Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 47, the [BEGIN CONFIDENTIAL] [REDACTED]

a. [REDACTED] [END CONFIDENTIAL]

[REDACTED] Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 47, the [BEGIN

CONFIDENTIAL] [REDACTED]

[END

CONFIDENTIAL]

106. Please reference the "Cost Methodology" description on the "Services Attachment" pages of the attachment to Joint Applicants' response to the Attorney General's Initial Data Request No. 38:
- a. State the "interim balance sheet date";
  - b. Provide documents which show the actual or estimated cost of transition services to be provided to Spinco as the term "actual cost" is used in the "Cost Methodology" discussion;
  - c. Provide documents which show the allocated cost of transition services to be provided to SpinCo as of the interim balance sheet date as the term "cost allocated to the SpinCo business" is used in the "Cost Methodology" discussion.
107. The Joint Applicants' responses to CWA's Initial Data Requests fail to identify the person answering those questions. Please provide the name(s) of each person answering each of these questions.
108. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 47. Explain what limits to MWB management actions are necessary or anticipated in order to maintain the tax free status of the spin off and merger transactions. State how long these limitations will last.
109. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 22. Provide copies of the capital budgets for, including or pertaining to Valor's ILEC operations for the current year (e.g., 2006), the immediately preceding year (e.g., 2005), and the upcoming year (e.g., 2007).
- a. Show capital budget dollars by category of expenditure in a format analogous to the format used to breakdown capital expenditures on [BEGIN CONFIDENTIAL] [REDACTED]
- [REDACTED] [END CONFIDENTIAL].



equivalent/comparable to the 2004 costs depicted on these pages.

- f. Please provide a copy of the [BEGIN CONFIDENTIAL]

[REDACTED]

[END

CONFIDENTIAL]

113. Please refer to the Joint Applicants' response to CWA's Initial Data Request No. 60. Provide Alltel's estimations of the impact on AKI and KAI interstate revenues for each of the alternative intercarrier compensation mechanisms currently before the Federal Communications Commission in the matter of Developing a Unified Intercarrier Compensation Regime, CC Docket No. 01-92.
114. Please refer to the Joint Applicants' response to CWA's Initial Data Request No. 60. Provide AKI and KAI interstate revenues broken down by company, and by account and subaccount for 2005.
115. Please refer to the Joint Applicants' response to CWA's Initial Data Request No. 60. Please identify for AKI and KAI each of the interstate funds and support mechanisms from which interstate revenue was received in 2005, and the amount of 2005 revenues for each of same, by company. Also, provide estimates of 2006 revenues from each of those sources and explain the reasons for any anticipated increases or decreases.
116. Please refer to the Joint Applicants' response to CWA's Initial Data Request No. 60. Please provide for AKI and KAI the USF contribution factor used for payments to the federal Universal Service Fund, and the related dollars which were paid in by each company in 2005.
117. Please refer to the Joint Applicants' response to CWA's Initial Data Request No. 60. Please provide for AKI and KAI the USF contribution factor used in 2006 for payments to the federal Universal Service Fund, and the related dollars which are estimated to be paid in by each company in 2006.
118. State whether the MWB anticipates having access to the market for borrowing via Commercial Paper if it does not have an investment grade debt rating.





133. Please refer to the same document at [BEGIN CONFIDENTIAL]  
[REDACTED] [END  
CONFIDENTIAL].

134. Please refer to the same document at [BEGIN CONFIDENTIAL]  
[REDACTED] [END CONFIDENTIAL].

135. Please refer to the same document at [BEGIN CONFIDENTIAL]  
[REDACTED] [END CONFIDENTIAL].

136. Please refer to the same document at [BEGIN CONFIDENTIAL]  
[REDACTED] [END CONFIDENTIAL].

137. Please refer to the [BEGIN CONFIDENTIAL] [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED] [END CONFIDENTIAL].

138. Please refer to the same document at the page entitled [BEGIN  
CONFIDENTIAL] [REDACTED]  
[REDACTED] [END CONFIDENTIAL].

139. Please refer to the same document at the page entitled [BEGIN  
CONFIDENTIAL] [REDACTED]  
[REDACTED] [END  
CONFIDENTIAL].

140. Please refer to the top of the document titled [BEGIN  
CONFIDENTIAL] [REDACTED]  
[REDACTED]





[REDACTED] [END CONFIDENTIAL].

154. Please refer to Joint Applicants' Response to CWA Nos. 46 and 47 and LFUCG No. 15. Reference the [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL].

155. Please reference page [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL].

160. Please reference page [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL].

161. Please refer to the Joint Applicants' Responses to CWA questions Nos. 46 and 47, and LFUCG No. 17. Refer to the [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL]

162. Please provide an unredacted copy of any and all materials not listed herein that has been previously redacted and for which attorney-client privilege has not been so asserted.